

TOWNSHIP OF SODUS
Berrien County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sodus	County Berrien
Audit Date March 31, 2007	Opinion Date June 14, 2007	Date Accountant Report Submitted to State: June 15, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF SODUS
Berrien County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 14, 2007

To the Township Board
Township of Sodus
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sodus, Berrien County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sodus's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sodus, Berrien County, Michigan as of March 31, 2007 and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SODUS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Sodus covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$1,507,771.03 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$518,482.09 from governmental activities. Governmental activities had a \$134,244.53 increase in net assets.

Taxable value was \$54,548,248.00.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating. To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, the Road Fund and the Library Fund.

TOWNSHIP OF SODUS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: Some of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Road Fund, and the Library Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is funding public safety.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$57,495.00 in capital assets.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very uncertain and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Clerk at 269-461-6448 or Township Treasurer at 269-926-6343. The Township Hall is located at 4056 King Drive, Sodus, Michigan. Office hours are Monday, Wednesday and Friday from 9:00 a.m. to 1:00 p.m.

TOWNSHIP OF SODUS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 250 858 97
Taxes receivable	<u>22 144 86</u>
Total Current Assets	<u>1 273 003 83</u>
NONCURRENT ASSETS:	
Capital Assets	875 473 80
Less: Accumulated Depreciation	<u>(637 291 18)</u>
Net Capital assets	<u>238 182 62</u>
TOTAL ASSETS	<u><u>1 511 186 45</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>3 415 42</u>
Total Current Liabilities	<u>3 415 42</u>
NONCURRENT LIABILITIES	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>3 415 42</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	238 182 62
Reserved for library	148 827 00
Unrestricted	<u>1 120 761 41</u>
Total Net Assets	<u>1 507 771 03</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 511 186 45</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	5 092 00	-	(5 092 00)
General government	169 679 58	10 166 54	(159 513 04)
Public safety	139 215 68	47 912 16	(91 303 52)
Public works	17 359 23	-	(17 359 23)
Culture and recreation	46 198 95	20 871 05	(25 327 90)
Other	6 692 12	-	(6 692 12)
Total Governmental Activities	<u>384 237 56</u>	<u>78 949 75</u>	<u>(305 287 81)</u>
General Revenues:			
Property taxes			218 835 53
State revenue sharing			159 335 84
Interest			48 549 44
Miscellaneous			<u>12 811 53</u>
Total General Revenues			<u>439 532 34</u>
Change in net assets			134 244 53
Net assets, beginning of year			<u>1 373 526 50</u>
Net Assets, End of Year			<u>1 507 771 03</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	486 002 86	588 499 41	175 140 13	1 249 642 40
Taxes receivable	9 317 91	10 717 18	2 109 77	22 144 86
Due from other funds	<u>1 216 57</u>	<u>-</u>	<u>-</u>	<u>1 216 57</u>
Total Assets	<u>496 537 34</u>	<u>599 216 59</u>	<u>177 249 90</u>	<u>1 273 003 83</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>3 415 42</u>	<u>-</u>	<u>-</u>	<u>3 415 42</u>
Total liabilities	<u>3 415 42</u>	<u>-</u>	<u>-</u>	<u>3 415 42</u>
Fund equity:				
Fund balances:				
Reserved for library capital improvements	-	-	134 027 85	134 027 85
Reserved for library memorials	-	-	14 799 15	14 799 15
Unreserved:				
Undesignated	<u>493 121 92</u>	<u>599 216 59</u>	<u>28 422 90</u>	<u>1 120 761 41</u>
Total fund equity	<u>493 121 92</u>	<u>599 216 59</u>	<u>177 249 90</u>	<u>1 269 588 41</u>
Total Liabilities and Fund Equity	<u>496 537 34</u>	<u>599 216 59</u>	<u>177 249 90</u>	<u>1 273 003 83</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 269 588 41
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Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	875 473 80
Accumulated depreciation	<u>(637 291 18)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 507 771 03</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Revenues:				
Property taxes	91 233 02	106 370 37	21 232 14	218 835 53
Licenses and permits	52 866 20	-	-	52 866 20
State revenue sharing	156 942 00	-	2 393 84	159 335 84
Charges for services	5 212 50	-	-	5 212 50
Penal fines	-	-	20 871 05	20 871 05
Interest	29 924 31	13 331 34	5 293 79	48 549 44
Miscellaneous	<u>11 527 21</u>	<u>-</u>	<u>1 284 32</u>	<u>12 811 53</u>
Total revenues	<u>347 705 24</u>	<u>119 701 71</u>	<u>51 075 14</u>	<u>518 482 09</u>
Expenditures:				
Legislative:				
Township Board	5 092 00	-	-	5 092 00
General government:				
Supervisor	11 879 72	-	-	11 879 72
Elections	3 870 35	-	-	3 870 35
Assessor	24 501 92	-	-	24 501 92
Clerk	12 731 00	-	-	12 731 00
Board of Review	675 00	-	-	675 00
Treasurer	12 136 00	-	-	12 136 00
Building and grounds	3 175 17	-	-	3 175 17
Cemetery	22 350 89	-	-	22 350 89
Unallocated	74 638 25	-	-	74 638 25
Public safety:				
Code enforcement	5 265 57	-	-	5 265 57
Fire protection	35 235 82	-	-	35 235 82
Ambulance	12 299 00	-	-	12 299 00
Protective inspection	50 378 44	-	-	50 378 44
Planning Commission	8 545 75	-	-	8 545 75
Public works:				
Highways and streets	-	5 000 00	-	5 000 00
Street lights	5 719 35	-	-	5 719 35
Drains	3 271 71	-	-	3 271 71
Culture and recreation:				
Parks	3 658 02	-	-	3 658 02
Library	-	-	39 840 93	39 840 93
Other functions:				
Social security	6 692 12	-	-	6 692 12
Capital outlay	<u>57 495 00</u>	<u>-</u>	<u>-</u>	<u>57 495 00</u>
Total expenditures	<u>359 611 08</u>	<u>5 000 00</u>	<u>39 840 93</u>	<u>404 452 01</u>
Excess (deficiency) of revenues over expenditures	<u>(11 905 84)</u>	<u>114 701 71</u>	<u>11 234 21</u>	<u>114 030 08</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Other financing sources (uses):				
Operating transfers in	-	-	3 500 00	3 500 00
Operating transfers out	(3 500 00)	-	-	(3 500 00)
Total other financing sources (uses)	(3 500 00)	-	3 500 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(15 405 84)	114 701 71	14 734 21	114 030 08
Fund balances, April 1	508 527 76	484 514 88	162 515 69	1 155 558 33
Fund Balances, March 31	493 121 92	599 216 59	177 249 90	1 269 588 41

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 114 030 08

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(37 280 55)
Capital Outlay	<u>57 495 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 134 244 53

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sodus, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sodus. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 3.9743 mills, and the taxable value was \$54,548,248.00.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-30 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 256 487 53</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	242 123 55
Uninsured and Uncollateralized	<u>1 057 086 71</u>
Total Deposits	<u>1 299 210 26</u>

The Township of Sodus did not have any investments as of March 31, 2007.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land	42 351 91	29 860 00	-	72 211 91
Buildings and improvements	383 842 30	-	-	383 842 30
Equipment	391 784 59	-	-	391 784 59
Infrastructure	<u>-</u>	<u>27 635 00</u>	<u>-</u>	<u>27 635 00</u>
Total	817 978 80	57 495 00	-	875 473 80
Accumulated Depreciation	<u>(600 010 63)</u>	<u>(37 280 55)</u>	<u>-</u>	<u>(637 291 18)</u>
Net Capital Assets	<u>217 968 17</u>	<u>20 214 45</u>	<u>-</u>	<u>238 182 62</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2007, the Township had building permit revenues of \$47,912.16 and building permit expenses of \$50,378.44.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	877 66	Agency	877 66
General	<u>338 91</u>	Current Tax Collection	<u>338 91</u>
Total	<u>1 216 57</u>	Total	<u>1 216 57</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 10 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Library	<u>3 500 00</u>	General	<u>3 500 00</u>
Total	<u>3 500 00</u>	Total	<u>3 500 00</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	85 000 00	85 000 00	91 233 02	6 233 02
Licenses and permits	34 500 00	49 500 00	52 866 20	3 366 20
State revenue sharing	155 000 00	155 000 00	156 942 00	1 942 00
Charges for services	-	-	5 212 50	5 212 50
Interest	9 300 00	14 300 00	29 924 31	15 624 31
Miscellaneous	36 000 00	40 860 00	11 527 21	(29 332 79)
Total revenues	319 800 00	344 660 00	347 705 24	3 045 24
Expenditures:				
Legislative:				
Township Board	5 092 00	5 092 00	5 092 00	-
General government:				
Supervisor	11 880 00	11 880 00	11 879 72	(28)
Elections	2 500 00	4 000 00	3 870 35	(129 65)
Assessor	28 800 00	28 800 00	24 501 92	(4 298 08)
Clerk	12 731 00	12 731 00	12 731 00	-
Board of Review	1 350 00	1 350 00	675 00	(675 00)
Treasurer	12 136 00	12 136 00	12 136 00	-
Building and grounds	4 400 00	4 400 00	3 175 17	(1 224 83)
Cemetery	34 700 00	28 700 00	22 350 89	(6 349 11)
Unallocated	82 400 00	95 674 00	74 638 25	(21 035 75)
Public safety:				
Code enforcement	5 000 00	6 500 00	5 265 57	(1 234 43)
Fire protection	40 261 00	49 861 00	35 235 82	(14 625 18)
Ambulance	12 300 00	12 300 00	12 299 00	(1 00)
Protective inspection	20 900 00	51 500 00	50 378 44	(1 121 56)
Planning Commission	12 900 00	13 000 00	8 545 75	(4 454 25)
Public works:				
Street lights	6 000 00	6 000 00	5 719 35	(280 65)
Drains	3 600 00	3 600 00	3 271 71	(328 29)
Culture and recreation:				
Parks	7 900 00	4 900 00	3 658 02	(1 241 98)
Other functions:				
Social security	7 500 00	7 500 00	6 692 12	(807 88)
Contingency	311 450 00	260 736 00	-	(260 736 00)
Capital outlay	30 000 00	58 000 00	57 495 00	(505 00)
Total expenditures	653 800 00	678 660 00	359 611 08	(319 048 92)
Excess (deficiency) of revenues over expenditures	(334 000 00)	(334 000 00)	(11 905 84)	322 094 16

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Operating transfers out	(20 000 00)	(20 000 00)	(3 500 00)	16 500 00
Total other financing sources (uses)	(20 000 00)	(20 000 00)	(3 500 00)	16 500 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(354 000 00)	(354 000 00)	(15 405 84)	338 594 16
Fund balance, April 1	354 000 00	354 000 00	508 527 76	154 527 76
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>493 121 92</u>	<u>493 121 92</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	100 000 00	100 000 00	106 370 37	6 370 37
Interest	<u>-</u>	<u>-</u>	<u>13 331 34</u>	<u>13 331 34</u>
Total revenues	<u>100 000 00</u>	<u>100 000 00</u>	<u>119 701 71</u>	<u>19 701 71</u>
Expenditures:				
Public works:				
Highways and streets	<u>585 000 00</u>	<u>585 000 00</u>	<u>5 000 00</u>	<u>(580 000 00)</u>
Total expenditures	<u>585 000 00</u>	<u>585 000 00</u>	<u>5 000 00</u>	<u>(580 000 00)</u>
Excess (deficiency) of revenues over expenditures	(485 000 00)	(485 000 00)	114 701 71	599 701 71
Fund balance, April 1	<u>485 000 00</u>	<u>485 000 00</u>	<u>484 514 88</u>	<u>(485 12)</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>599 216 59</u>	<u>599 216 59</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	20 000 00	21 000 00	21 232 14	232 14
State revenue sharing	1 500 00	2 400 00	2 393 84	(6 16)
Penal fines	20 000 00	20 000 00	20 871 05	871 05
Interest	-	-	5 293 79	5 293 79
Miscellaneous	1 000 00	900 00	1 284 32	384 32
Total revenues	42 500 00	44 300 00	51 075 14	6 775 14
Expenditures:				
Culture and recreation:				
Library	48 000 00	49 900 00	39 840 93	(10 059 07)
Total expenditures	48 000 00	49 900 00	39 840 93	(10 059 07)
Excess (deficiency) of revenues over expenditures	(5 500 00)	(5 600 00)	11 234 21	16 834 21
Other financing sources (uses):				
Operating transfers in	3 500 00	3 500 00	3 500 00	-
Total other financing sources (uses)	3 500 00	3 500 00	3 500 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2 000 00)	(2 100 00)	14 734 21	16 834 21
Fund balance, April 1	25 500 00	25 500 00	162 515 69	137 015 69
Fund Balance, March 31	23 500 00	23 400 00	177 249 90	153 849 90

TOWNSHIP OF SODUS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Township Board:	
Fees and per diem	<u>5 092 00</u>
Supervisor:	
Salary	11 330 00
Telephone	<u>549 72</u>
	<u>11 879 72</u>
Elections	<u>3 870 35</u>
Assessor:	
Contracted services	21 855 96
Supplies	<u>2 645 96</u>
	<u>24 501 92</u>
Clerk:	
Salary	<u>12 731 00</u>
Board of Review:	
Wages	<u>675 00</u>
Treasurer:	
Salary	<u>12 136 00</u>
Building and grounds:	
Supplies	59 98
Repairs and maintenance	<u>3 115 19</u>
	<u>3 175 17</u>
Cemetery:	
Wages	17 681 75
Supplies	569 14
Opening and closing graves	3 700 00
Equipment maintenance and repairs	<u>400 00</u>
	<u>22 350 89</u>
Unallocated:	
Wages	4 606 26
Legal	17 921 40
Supplies	4 059 59
Printing and publishing	2 543 70
Dues and conferences	1 744 22
Contracted services	8 220 38
Audit and accounting	3 000 00
Insurance	22 431 00
Telephone	1 319 50
Utilities	245 12
Miscellaneous	8 357 08
Repairs and maintenance	<u>190 00</u>
	<u>74 638 25</u>
Code enforcement	<u>5 265 57</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Fire protection:	
Salaries and wages	19 835 70
Operating supplies	3 616 25
Maintenance and repairs	3 502 12
Telephone	1 034 19
Utilities	3 971 89
Insurance	1 666 00
Miscellaneous	1 609 67
	<u>35 235 82</u>
 Ambulance	 <u>12 299 00</u>
 Protective inspection:	
Contracted services	48 429 49
Miscellaneous	1 948 95
	<u>50 378 44</u>
 Planning Commission:	
Wages	3 390 75
Contracted services	4 725 00
Supplies	430 00
	<u>8 545 75</u>
 Street lighting:	
Utilities	<u>5 719 35</u>
 Drains	 <u>3 271 71</u>
 Parks	 <u>3 658 02</u>
 Social security	 <u>6 692 12</u>
 Capital outlay	 <u>57 495 00</u>
 Total Expenditures	 <u><u>359 611 08</u></u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2007

	<u>Road</u>	<u>Library</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	588 499 41	175 140 13	768 639 54
Taxes receivable	<u>10 717 18</u>	<u>2 109 77</u>	<u>12 826 95</u>
Total Assets	<u>599 216 59</u>	<u>177 249 90</u>	<u>776 466 49</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for library capital improvements	-	134 027 85	134 027 85
Reserved for library memorials	-	14 799 15	14 799 15
Unreserved:			
Undesignated	<u>599 216 59</u>	<u>28 422 90</u>	<u>627 639 49</u>
Total fund balances	<u>599 216 59</u>	<u>177 249 90</u>	<u>776 466 49</u>
Total Liabilities and Fund Balances	<u>599 216 59</u>	<u>177 249 90</u>	<u>776 466 49</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2007

	<u>Road</u>	<u>Library</u>	<u>Total</u>
Revenues:			
Property taxes	106 370 37	21 232 14	127 602 51
State revenue sharing	-	2 393 84	2 393 84
Penal fines	-	20 871 05	20 871 05
Interest	13 331 34	5 293 79	18 625 13
Miscellaneous	-	1 284 32	1 284 32
	<u>119 701 71</u>	<u>51 075 14</u>	<u>170 776 85</u>
Total revenues			
Expenditures:			
Public works:			
Highways and streets	5 000 00	-	5 000 00
Recreation and culture- library			
Salaries	-	16 357 65	16 357 65
Payroll taxes	-	1 251 89	1 251 89
Periodicals	-	819 94	819 94
Supplies	-	2 071 35	2 071 35
Dues	-	643 46	643 46
Telephone	-	708 62	708 62
Utilities	-	2 951 54	2 951 54
Repairs and maintenance	-	2 881 50	2 881 50
Books	-	5 986 96	5 986 96
Miscellaneous	-	6 168 02	6 168 02
	<u>5 000 00</u>	<u>39 840 93</u>	<u>44 840 93</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>114 701 71</u>	<u>11 234 21</u>	<u>125 935 92</u>
Other financing sources (uses):			
Operating transfers in	-	3 500 00	3 500 00
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3 500 00</u>	<u>3 500 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	114 701 71	14 734 21	129 435 92
Fund balances, April 1	<u>484 514 88</u>	<u>162 515 69</u>	<u>647 030 57</u>
Fund Balances, March 31	<u>599 216 59</u>	<u>177 249 90</u>	<u>776 466 49</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2007

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>497 78</u>	<u>716 577 25</u>	<u>716 736 12</u>	<u>338 91</u>
<u>Liabilities</u>				
Due to other funds	497 78	198 411 06	198 569 93	338 91
Due to others	<u>-</u>	<u>518 166 19</u>	<u>518 166 19</u>	<u>-</u>
Total Liabilities	<u>497 78</u>	<u>716 577 25</u>	<u>716 736 12</u>	<u>338 91</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>5 976 71</u>	<u>10 171 21</u>	<u>9 641 70</u>	<u>6 506 22</u>
<u>Liabilities</u>				
Due to other funds	573 15	3 196 37	2 891 86	877 66
Due to others	<u>5 403 56</u>	<u>6 974 84</u>	<u>6 749 84</u>	<u>5 628 56</u>
Total Liabilities	<u>5 976 71</u>	<u>10 171 21</u>	<u>9 641 70</u>	<u>6 506 22</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>6 474 49</u>	<u>726 748 46</u>	<u>726 377 82</u>	<u>6 845 13</u>
<u>Liabilities</u>				
Due to other funds	1 070 93	201 607 43	201 461 79	1 216 57
Due to others	<u>5 403 56</u>	<u>525 141 03</u>	<u>525 116 03</u>	<u>5 628 56</u>
Total Liabilities	<u>6 474 49</u>	<u>726 748 46</u>	<u>726 377 82</u>	<u>6 845 13</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 14, 2007

To the Township Board
Township of Sodus
Berrien County, Michigan

We have audited the financial statements of the Township of Sodus for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sodus in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sodus
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.


We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants